2/20/87 S6415-2

OREGON LABOR TRENDS

JANUARY 1987

DECEMBER INDICATORS

UNEMPLOYMENT RATE

Oregon (Seas. Adj.)		
Dec.	1986	INA
Nov.	1986	7.5
Dec.	1985	8.4
U.S.		
Dec.	1986	6.7
Nov.	1986	6.9
Dec.	1985	6.9

WAGE AND SALARY EMPLOYMENT INDEX

Oregon	1977=100	
Dec.	1986	113.7
Nov.	1986	113.2
Oct.	1986	113.0
Sept.	1986	112.2
Aug.	1986	112.5

DIFFUSION INDEX

Oregon		
Dec.	1986	54.7
Nov.	1986	49.2
Oct.	1986	50.8
Sept.	1986	50.8
Aug.	1986	49.6

PRODUCTION WORKER AVERAGE WEEKLY HOURS

Oregon		
Nov.	1986	39.3
Oct.	1986	38.9
Nov.	1985	38.5

CONSUMER PRICE INDEX (CPI)

1967=100
ALL URBAN CONSUMERS

Portland MSA		
Nov.	1986	318.0**
Yearly Change		+ 0.3%
U.S.		
Dec.	1986	331.1
Yearly Change		+ 1.1%

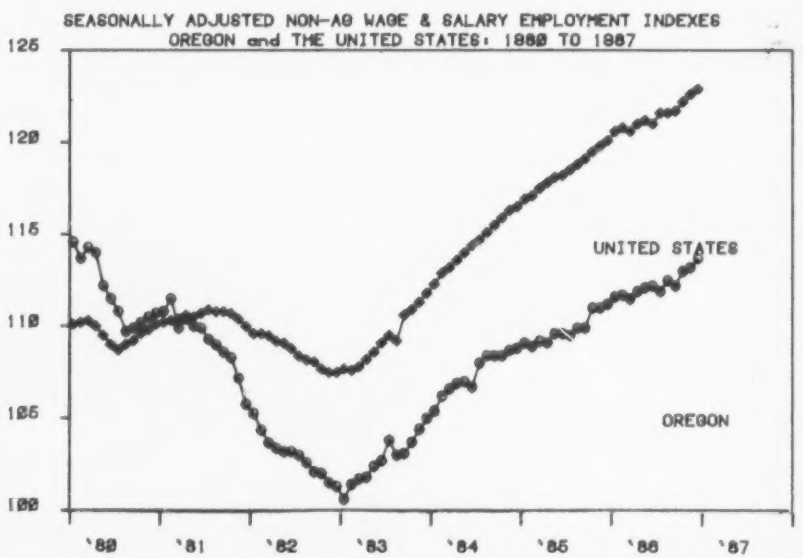
Portland Hotline 221-4132

JOB PICTURE IMPROVES IN DECEMBER

Tom Lancefield

Two of Oregon's labor trends indicators showed strong gains in December, but a third gauge, the unemployment rate, will remain a mystery for several weeks while federal officials re-check the validity of State labor force data they give to Oregon each month. The Oregon Employment Division's monthly estimates of the labor force, total employment and unemployment are developed in accordance with federal methodology which requires using a combination of Division administrative data and household survey information from the Current Population Survey conducted by the U.S. Census Bureau. The Current Population Survey in Oregon collects data on only 680 households, from which the Bureau of Labor Statistics develops control factors used by Oregon to produce the labor force, total employment and unemployment estimates for the State.

Oregon Employment Division officials questioned the reliability of December data from the household survey and have asked the Bureau of Labor Statistics and the Census Bureau to re-check the data. Until this review is accomplished, the Administrator of the Oregon Employment Division has decided not to release labor force and unemployment data which may be inaccurate.



**The new semiannual Portland CPI indexes, covering the first half of 1987, will be issued on August 21, 1987. U.S. CPI data will continue to be released on a monthly basis.

Oregon's nonfarm wage and salary employment by industry series, however, is not affected by this problem since it is based on a different survey of approximately 7,000 Oregon employers conducted by the Employment Division each month. Based on this survey, Oregon's nonfarm payroll employment, which includes all workers except the self-employed, military, private household and farm workers, slipped in December to 1,066,400. December's figure represents a decline of 5,600 jobs from November, and a gain of 23,400 from a year earlier.

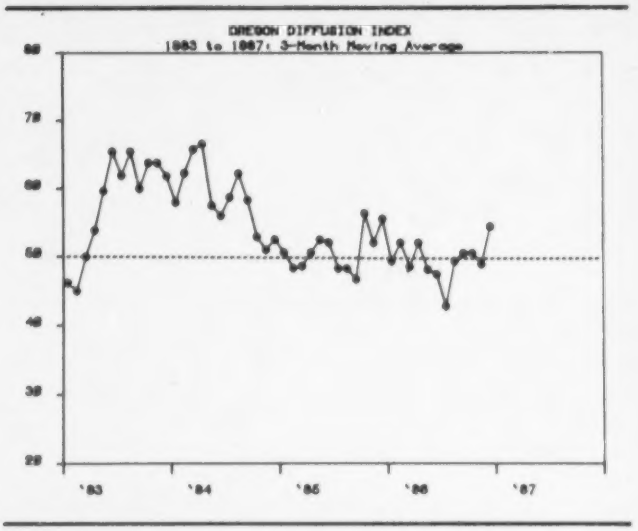
Oregon's seasonally adjusted wage and salary employment index stood at 113.7 (1977 = 100), up 0.5 from the preceding month and 2.5 higher than December 1985. This labor market index has been increasing rather steadily from its recession low point of just over 100 in January of 1983. The current index level has been exceeded only five times, all during late 1979 and early 1980.

The Oregon diffusion index, which reflects significant (0.5% or greater) changes in seasonally adjusted employment in 43 selected industries, jumped sharply in December to 54.7, up 5.5 percentage points from the previous month. The current level is the highest since December 1985. Diffusion index estimates are somewhat volatile, and preliminary estimates have been revised by plus or minus 1.1 to 1.5 in recent months. The diffusion index is designed to be a leading indicator, and is weighted towards manufacturing employment. The jump in the December index reflects seasonal strength in wholesale and retail trade, services, printing & publishing, finance, insurance & real estate, and especially lumber and wood products. The diffusion index did not exhibit any strong trends in 1986.

The manufacturing sector recorded a net loss of 4,600 jobs in December, about normal for this time of year, but down 3,300 from a year earlier. Lumber and wood products lost only 200 jobs, compared to an expected seasonal loss of 1,900. The star performers in this sector were logging and millwork & structural wood products. Despite some softening in new home sales nationally (down 8.4% in November from a year earlier), Oregon's wood products industry is expected to post its best year since 1979, benefiting from strong demand and fairly strong prices. Lumber orders received at sawmills in 12 western states hit a record high 558 million board feet in the week ending January 10. Wage concessions by some woodworkers and a new export tax on Canadian lumber have strengthened Oregon wood products' competitiveness. Demand has been spurred by lower mortgage interest rates, mild winter weather through December in much of the U.S., and the recently-ended woodworkers' strike in British Columbia.

Other durables manufacturing posted a seasonally adjusted loss of 1,300 jobs in December. Furniture & fixtures lost 600 jobs, due primarily to the closure of one firm. Shipbuilding & repair, a very volatile industry, lost 800. For the year, 6,900 jobs were lost in other durable goods manufacturing, 3,900 of which were in the "high tech" sector.

In nondurable goods manufacturing there was an overall seasonally adjusted loss of 200 jobs, but the 52,000 total jobs in December represent a gain of 400 from December 1985. Employment in food & kindred products declined at about the normal seasonal rate, but canning & preserving jobs are down 600 from year ago levels, while other food products jobs are up slightly from December 1985.



Other nondurables registered a modest seasonally adjusted decline of 100 jobs from November. Within that sector printing & publishing and chemicals & allied products both showed small monthly gains, as well as gains from year ago levels of 400 and 200 jobs, respectively. Rubber & plastic products remained stable at its highest level ever, 300 over December 1985.

Total nonmanufacturing employment dropped by only 1,000 over the previous month to 873,400, a less than usual seasonal drop. Wholesale and retail trade performed exceptionally well (+4,200), accounting for three-fourths of nonmanufacturing's seasonally adjusted gain of 4,300 jobs. Construction employment declined by a near-normal 1,700 over the month to 30,000 in December, a level 1,000 below a year ago. In residential construction, however, total jobs were at the best December level since 1980.

Finance, insurance & real estate continued to show significant gains both for the month and from year earlier levels (up 3,800 since December 1985).

The services sector generated more than half of the 26,700 gain in nonmanufacturing jobs since a year ago, with a seasonally adjusted gain of 1,100 for the month (a loss of 1,200 jobs was the expected seasonal change; the actual loss was only 100).

Seasonally adjusted gains or losses for any one month should be interpreted cautiously, because they do not take into account the perhaps atypical employment patterns of the months immediately preceding. Job trends over several months are therefore, more meaningful. Monthly seasonal adjustment factors, however, help provide some insight into underlying economic trends.

On balance, December's data are consistent with trends seen in recent months: overall modest economic growth, but very uneven, with some sectors thriving while others continue to struggle.□

ECONOMIC OUTLOOK—1987

Jeff Hannum

After four years of slow but steady economic recovery, Oregonians can look forward to more of the same in 1987. Although the rate of growth in the State's economy is not likely to match the 1986 pace, the pattern of growth, at least in employment terms, will be similar. Nonmanufacturing industries will again account for nearly all of the new jobs, while manufacturing industries continue to adjust to very competitive market conditions and high foreign imports.

Oregon's slower growth prospects for 1987, however, come on the heels of a stronger 1986 than previously thought. In last month's issue of Labor Trends, we projected based on preliminary data that Oregon's 1986 nonfarm wage and salary employment would average 1,050,800. While this represented a modest 2.1% gain from 1985, it was also over 5,000 jobs short of Oregon's pre-recession peak of 1,056,200 set in 1979. Since last month, the Employment Division has revised its nonfarm payroll employment series for both 1985 and 1986 to reflect more recent industry employment benchmarks derived from employer tax reports.

When this new industry employment series is published next month it will show that wage & salary employment grew faster last year (+2.6%), and barely surpassed an old milestone, the 1979 pre-recession peak. The impact of these revisions on specific industries will be the focus of an article in next month's issue of Labor Trends. For now, suffice it to say that the manufacturing sector fared a little worse in both 1985 and 1986, while employment gains in nonmanufacturing were stronger than previously thought.

In 1987, the economic environment will change, in some ways significantly, but prospects for a fifth straight year of economic growth, both nationally and in Oregon, are relatively good. In 1986, consumer spending, which accounts for two-thirds of the Nation's GNP, and residential construction were two of the mainstays of economic growth. The sharp drop in interest rates, oil prices, and the overall inflation rate (both retail and wholesale) in 1986 provided a strong spending stimulus, similar to a tax cut. In 1987, however, these sectors are expected to lose some steam, as the inflation rate and oil prices both rise moderately and interest rates stabilize.

One major change this year will be in the tax environment. Although no one can say for sure just what the impact of the federal tax overhaul will be, and how Oregon's tax code will be revised in order to reconnect with it, the prevailing view is that most consumers will benefit due to a tax shift from households to the business sector.

Will this provide a significant boost to consumer spending in Oregon during 1987? Probably not, because State income taxes are expected to rise due to lower federal tax deductions, household debt levels are already high, and real personal incomes are likely to show very modest growth due to the State's high unemployment rate and continuing problems in several key industries. Even though employment levels will move up in 1987, many of the new jobs will come in the trade and service industries where average pay levels are relatively low and part-time employment is more common. Recent wage & benefit reductions in basic industries such as lumber and wood products, and weak farm income prospects in many agricultural areas of the State will also tend to put a damper on spending growth.

In 1986, consumer spending in Oregon received a strong boost from a record number of tourists, many of whom were en route to Expo 86 in Vancouver, B.C. Although tourist-related spending is likely to be healthy in 1987, it will probably be down from last year's record level without the magnet of a major event like Expo. Oregon is likely to attract more foreign visitors, especially from Japan, in 1987, however, due to the yen's dramatic rise in value over the past two years, a recent Japanese television series on Oregon, and a major expansion in direct service airline flights between Portland and Tokyo scheduled to begin in March.

Last year's sharp drop in interest rates pushed U.S. housing starts to about 1.8 million units in 1986, the best level since the late 1970s. In addition, the low rates caused sales of existing homes and mortgage refinancing activity to soar. Oregon's lumber and wood products industry was a major beneficiary as market demand boomed. In 1987, U.S. housing starts are expected to slip into the 1.6 to 1.7 million range as multiple family residential construction declines due to rising vacancy rates and the loss of preferential tax treatment. Oregon's timber industry, however, will enjoy another good, and perhaps even better, year for the following reasons:

- mortgage interest rates will remain very favorable.
- the drop in housing starts will be confined to multiple family units which use about one-third as much wood as single family units.
- and Oregon's competitive position has been strengthened considerably by recent wage and benefit reductions, the imposition of a 15% Canadian export tax on structural lumber in January, and the continuing drop in the foreign exchange value of the dollar which should boost Oregon exports.

Homebuilding and remodeling will also be the strongest sector of Oregon's construction industry in 1987. The new tax law, tight government budgets, loss of federal revenue sharing, and weak market demand for new commercial and industrial space will tend to limit activity in nonresidential building and heavy construction.

Last year, the major loser in terms of annual average employment was Oregon's electronics industry which lost about 2,700 jobs, or 8% of its work force. The picture gets even worse if you look at the decline between December 1985 and December 1986 (-3,900). Weak markets, excess production capacity, and intense foreign and domestic competition dropped high tech employment last year to its lowest level since the late 1970s.

Employment forecasts for Oregon's electronics industry in 1987 range anywhere from about 1,000 lower to as much as 2,000 higher. The wide variation reflects uncertainty about the new tax law's effect on capital equipment spending, of which roughly a third is for electronics/computer equipment. Oregon's electronics industries are mostly oriented toward the manufacture of business equipment or components rather than consumer goods. The difference in forecasts also reflects uncertainty about federal trade legislation and prospects for higher export sales due to a steadily declining dollar.

If there is one area that holds the key to how well the overall economy, both nationally and in Oregon, will fare in 1987, it is probably foreign trade. Optimistic forecasters expect to see significant improvement in our exports along with lower imports during 1987 primarily reflecting the decline in the dollar's value over the past two years. They cite rising U.S. exports since last summer along with a slowdown in the growth of imports.

Less optimistic forecasters expect a much slower turnaround this year in the trade balance with significant improvement not coming until 1988. They cite the fact that the Nation's foreign trade deficit soared to a record high $170 billion last year even though the dollar has been sliding since early 1985. They also note that while the dollar has weakened considerably against the currencies of Japan and West Germany, it has not fallen against the currencies of many newly industrialized countries in the Pacific Rim. Since imports from these countries are still inexpensive, they have been able to capture a growing share of U.S. markets at the expense of Japan and Europe. To the unemployed U.S. factory worker, however, the issue is imports period, not whether they come from Japan, South Korea, or Pluto.

Since many of the newly industrialized countries have pegged the value of their currencies to our dollar, the federal government's strategy of allowing the dollar to plummet has met with only limited success. One of the main reasons for this strategy was to pressure Japan and the European countries to do more to stimulate their own economies, thereby increasing foreign demand for U.S. exports. In late January this policy finally began to bear fruit as Japan and the European countries agreed to reduce their key interest rates. While this action is a positive sign, the dollar's steep decline runs the risk of re-igniting inflation, discouraging foreign investment in the U.S., and as mentioned earlier, may be doing more to shift the source of imports than to significantly reduce them. In any event, foreign trade is of vital importance to the 1987 economic outlook for Oregon as well as the Nation.

As the debate over this issue heats up in the political arena in 1987, we should remember that protectionist measures, although they may be justified in some instances, can produce a chain reaction of trade restrictions in other areas. If this cycle gets out of control, as it did in the 1930s, the result could be lower levels of economic activity and employment in many nations.

Another point to consider is that while export activity generates the most jobs (i.e. in production and distribution), imports generate jobs, also, in distribution activities. The trade-off in jobs would be different from state to state. For example, if Oregon lost distribution-related jobs due to a drop in Japanese auto imports through Portland, we might be worse off while Michigan, and perhaps California, would benefit from an increase in domestic auto production.

In contrast to the relatively stable outlook for Oregon's manufacturing employment (with the possible exception of the electronics industry), nonmanufacturing will continue to grow in 1987 at a moderate rate. Virtually all of the major industry categories, however, are likely to add fewer workers in 1987 than they did last year, due to weak income gains, or even losses, in the basic sectors of the economy, tax reform impacts on industries such as construction, fewer out-of-state tourists, high consumer debt levels, etc. In the finance and real estate sectors, lending and sales activities will remain strong due to relatively low and stable mortgage interest rates, but the frenetic pace of last year should slow.

In Government, the loss of federal revenue sharing will hurt local government budgets, but receipts from federal timber sales may rise due to the recent strength of wood products markets. State government will be bolstered by the start of another legislative session, and reshaped somewhat by Oregon's new Governor, Neil Goldschmidt.

Employment gains in services will once again outperform the rest of the field, led by business and health services, which show few signs of slowing down. Last year, these two service categories grew at rates well above average (12.4% and 4.8%). They reflect the continuing transition from an industrial-based economy to one which is increasingly information-based and service-oriented.

This trend is also reflected by the steady job growth in retail and wholesale trade, even when the State's population declines, as it apparently did last year. Most of the new retail jobs are expected to come in food stores, eating establishments and general merchandise stores. As more women work outside the home, family incomes rise, spare time falls, more meals are eaten out, and convenience stores, products and services become more essential.

One industry in which this trend of more women working outside the home may be evident in 1987 is agriculture. The reason, however, has more to do with economic necessity than "women's lib". Although some sectors of Oregon's very diverse agricultural industry are relatively healthy (e.g. specialty horticultural products, berries, grass seed), there are other key sectors which are not. Problems include commodity surpluses, low prices, weak domestic and/or export demand, high debts, declining farmland values, and other woes. An OSU Extension Service survey of farm lending institutions conducted last fall revealed that nearly 9% of Oregon's farm operators are likely to quit farming this year due to financial difficulties. This estimate, made by the lending institutions, varied from a low of 6.2% in Southern

RESIDENT OREGON LABOR FORCE

	DEC. 1986 1/	NOV. 1986 2/	CHANGE	% CHANGE	DEC. 1985 5/
CIVILIAN LABOR FORCE 3/	N/A	1,403,000	N/A	N/A	1,334,300
UNEMPLOYMENT	N/A	104,500	N/A	N/A	119,100
PERCENT OF LABOR FORCE	N/A	7.4	XXX	XXX	8.9
SEASONALLY ADJUSTED PERCENT	N/A	7.5	XXX	XXX	8.4
TOTAL EMPLOYMENT 4/	N/A	1,298,500	N/A	N/A	1,215,200

1/ PRELIMINARY. 2/ REVISED. 3/ INCLUDES EMPLOYED AND UNEMPLOYED INDIVIDUALS 16 YEARS AND OLDER. DATA ARE ADJUSTED FOR MULTIPLE JOB-HOLDING AND COMMUTING. 4/ INCLUDES NONAGRICULTURAL WAGE AND SALARY, SELF-EMPLOYED, UNPAID FAMILY WORKERS, DOMESTICS, FARM WORKERS, AND LABOR DISPUTANTS. 5/ DUE TO REVISED ESTIMATING PROCEDURES BETWEEN DECEMBER 1985 AND JANUARY 1986, DATA FOR 1986 AND THAT OF PREVIOUS YEARS ARE NOT STRICTLY COMPARABLE.

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
(BY PLACE OF WORK)

INDUSTRY	DEC. 1986 1/	NOV. 1986 2/	DEC. 1985	CHANGE FROM NOV. 1986	CHANGE FROM DEC. 1985
TOTAL 3/	1,066,400	1,072,000	1,043,000	- 5,600	23,400
WAGE & SALARY EMPLOYMENT INDEX 4/	113.7	113.2	111.2	XXX	XXX
DIFFUSION INDEX 5/	54.7	49.2	55.8	XXX	XXX
TOTAL MANUFACTURING	193,000	197,600	196,300	- 4,600	- 3,300
DURABLE GOODS	141,000	143,000	144,700	- 2,000	- 3,700
LUMBER & WOOD PRODUCTS	65,300	65,500	62,100	- 200	3,200
LOGGING & SAWMILLS	33,900	34,400	32,000	- 500	1,900
VENEER & PLYWOOD	17,300	17,300	16,200	0	1,100
MILLWORK & STRUCTURAL WOOD	9,100	8,800	8,800	300	300
MOBILE HOMES	1,400	1,400	1,500	0	- 100
OTHER WOOD PRODUCTS	3,600	3,600	3,600	0	0
FURNITURE AND FIXTURES	2,200	2,800	2,800	- 600	- 600
STONE, CLAY, GLASS & CONCRETE	2,700	2,800	2,700	- 100	0
PRIMARY METALS	8,300	8,300	8,800	0	- 500
BLAST FURNACES, IRON & STEEL	5,200	5,200	5,700	0	- 500
NONFERROUS METALS	3,100	3,100	3,100	0	0
FABRICATED METALS	10,600	10,900	12,000	- 300	- 1,400
FABRICATED STRUCTURAL METALS	5,000	5,100	6,300	- 100	- 1,300
OTHER FABRICATED METALS	5,600	5,800	5,700	- 200	- 100
MACHINERY	14,400	14,500	15,400	- 100	- 1,000
ELECTRICAL EQUIPMENT & SUPPLIES	12,900	13,100	13,600	- 200	- 700
TRANSPORTATION EQUIPMENT	9,900	10,400	10,500	- 500	- 600
INSTRUMENTS & RELATED PRODUCTS	12,100	12,100	14,200	0	- 2,100
MISCELLANEOUS MANUFACTURING	2,600	2,600	2,600	0	0
NONDURABLE GOODS	52,000	54,600	51,600	- 2,600	400
FOOD & KINDRED PRODUCTS	20,800	23,500	21,200	- 2,700	- 400
CANNING & PRESERVING	10,100	12,700	10,700	- 2,600	- 600
OTHER FOOD PRODUCTS	10,700	10,800	10,500	- 100	200
TEXTILE MILL PRODUCTS	1,600	1,600	1,700	0	- 100
APPAREL	2,300	2,300	2,300	0	0
PAPER & ALLIED PRODUCTS	9,000	9,000	9,100	0	- 100
PRINTING & PUBLISHING	12,000	11,900	11,600	100	400
CHEMICALS & ALLIED PRODUCTS	2,100	2,000	1,900	100	200
PETROLEUM REFINING	300	400	300	- 100	0
RUBBER & PLASTIC PRODUCTS	3,300	3,300	3,000	0	300
LEATHER PRODUCTS	600	600	500	0	100

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
(BY PLACE OF WORK)

INDUSTRY	DEC. 1986	NOV. 1986	DEC. 1985	CHANGE FROM NOV. 1986	CHANGE FROM DEC. 1985
(CONT.)					
TOTAL NONMANUFACTURING	873,400	874,400	846,700	- 1,000	26,700
MINING & QUARRYING	1,500	1,700	1,500	- 200	0
CONSTRUCTION	30,000	31,700	31,000	- 1,700	- 1,000
TRANSPORTATION, COMMUNICATIONS, & UTILITIES	59,800	59,600	59,400	200	400
TRANSPORTATION	38,800	38,500	37,600	300	1,200
RAILROAD	4,400	4,500	4,700	- 100	- 300
TRUCKING & WAREHOUSING	22,900	22,400	21,700	500	1,200
OTHER TRANSPORTATION	11,500	11,600	11,200	- 100	300
COMMUNICATIONS	12,700	12,800	13,200	- 100	- 500
UTILITIES	8,300	8,300	8,600	0	- 300
TRADE	274,900	270,700	267,400	4,200	7,500
WHOLESALE TRADE	67,400	66,900	67,700	500	- 300
DURABLE GOODS	39,200	38,900	39,600	300	- 400
NONDURABLE GOODS	28,200	28,000	28,100	200	100
RETAIL TRADE	207,500	203,800	199,700	3,700	7,800
GENERAL MERCHANDISE	30,700	28,400	29,000	2,300	1,700
FOOD STORES	31,600	31,900	29,500	- 300	2,100
AUTO DEALERS & SERVICE STATIONS	24,300	24,400	23,900	- 100	400
OTHER RETAIL TRADE	120,900	119,100	117,300	1,800	3,600
FINANCE, INSURANCE, & REAL ESTATE	71,400	70,800	67,600	600	3,800
BANKING & CREDIT AGENCIES	24,100	23,900	23,900	200	200
OTHER FINANCE, INSURANCE, & REAL ESTATE	47,300	46,900	43,700	400	3,600
SERVICES	232,600	232,700	218,000	- 100	14,600
HOTELS & PERSONAL SERVICES	24,300	24,400	23,100	- 100	1,200
HEALTH SERVICES	74,300	73,900	70,800	400	3,500
OTHER SERVICES	134,000	134,400	124,100	- 400	9,900
GOVERNMENT	203,200	207,200	201,800	- 4,000	1,400
FEDERAL GOVERNMENT	28,200	28,100	28,500	100	- 300
STATE GOVERNMENT	54,600	56,600	54,500	- 2,000	100
EDUCATION	24,800	25,300	24,100	- 500	700
OTHER STATE	29,800	31,300	30,400	- 1,500	- 600
LOCAL GOVERNMENT	120,400	122,500	118,800	- 2,100	1,600
EDUCATION	77,000	78,500	76,400	- 1,500	600
OTHER LOCAL	43,400	44,000	42,400	- 600	1,000
LABOR-MANAGEMENT DISPUTES	0	100	0	- 100	0

1/ PRELIMINARY

2/ REVISED

3/ INCLUDES FULL AND PART-TIME NONFARM WAGE AND SALARY WORKERS IN PAY PERIODS INCLUDING THE 12TH OF THE MONTH. PROPRIETORS, SELF-EMPLOYED, PRIVATE HOUSEHOLD WORKERS AND ARMED FORCES EXCLUDED. NOTE: ESTIMATED IN COOPERATION WITH THE U.S. BUREAU OF LABOR STATISTICS AND EMPLOYMENT AND TRAINING ADMINISTRATION. ALL DATA ARE BASED ON THE 1972 STANDARD INDUSTRIAL CLASSIFICATION (SIC) CODES AS AMENDED BY THE 1977 SUPPLEMENT.

4/ TOTAL NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT, SEASONALLY ADJUSTED, AND INDEXED TO 1977. DATA ON THE EARLIER INDEX (1972 = 100) CAN BE CONVERTED TO THE 1977 BASE PERIOD BY MULTIPLYING BY A FACTOR OF .8264, THE RATIO BETWEEN 1972'S ANNUAL AVERAGE EMPLOYMENT (774,300) AND THAT OF 1977 (936,900).

5/ THE DIFFUSION INDEX IS THE PERCENTAGE OF A SELECTED GROUP OF 43 INDUSTRIES SHOWING AN INCREASE IN SEASONALLY ADJUSTED EMPLOYMENT. HALF OF THOSE INDUSTRIES SHOWING NO SIGNIFICANT CHANGE (LESS THAN 1/2 OF 1%) ARE COUNTED AS INCREASING.

Oregon to highs of 13.4 and 12.2% in Central and Eastern Oregon. Those experiencing the greatest difficulty repaying their nonreal estate debts were grain farmers and beef cattle ranchers. For many of these farmers and ranchers, the last recession never ended in 1983.

One last wrinkle in the 1987 outlook that will probably affect agriculture more than any other industry is the impact of the Immigration Reform and Control Act passed by Congress last fall. This law establishes a one year "window" period beginning in May for illegal aliens who have resided in the U.S. prior to January 1982 to apply for legal resident status. According to the federal Immigration and Naturalization Service in Portland, between 100,000 and 125,000 undocumented workers are expected to apply in Oregon. The vast majority of these people are likely to be farm, food processing or reforestation workers. Employers will be impacted in a number of ways relating to labor costs (these may rise), employment conditions, and record keeping requirements.

In summary, Oregon's economy will continue to grow and generate new employment opportunities in 1987, as the business expansion enters its fifth straight year. Although the State's important timber industry can look forward to another year of strong market demand, employment in the manufacturing sector of the State's economy is expected to remain stable at best due to intense competition and the emphasis on improving productivity and reducing operating costs. How well manufacturing industries fare this year will be heavily influenced by the amount of business spending on capital equipment nationally and on the rate of improvement in our net exports.

Nonmanufacturing industries, led by services and trade, will once again create virtually all of the net new jobs. Since total employment is likely to grow more slowly this year while the labor force continues to expand, Oregon's annual average unemployment rate is not expected to change much from 1986.□

EMPLOYERS' CORNER—YOUR TAX DOLLARS AT WORK

Dorothy Monnier

The Oregon State Employment Division has been on the forefront of developing a proposal to change the current system of collecting Unemployment Insurance taxes. This proposal is referred to as the Equity Act or Devolution, and gives the responsibility for COLLECTION and ALLOCATION of the employment security taxes to the states.

THE EQUITY ACT - DEVOLUTION

From the inception of the unemployment insurance tax system, there has evolved two payroll taxes. Employers have paid a tax called the Federal Unemployment Tax Act (F.U.T.A.) tax to the Internal Revenue Service ,which is used for administration of the program. The receipts reside in the U.S. Treasury and are allocated by Congress to the federal Department of Labor which, in turn, allocates administrative dollars to the states. The other tax is paid by employers to the state employment security agency (the Employment Division in Oregon) to be used for payment of unemployment benefits. This tax is state specific and resides in the U.S. Treasury. In general, this dual system worked because of a partnership where the two partners did their job well. The federal partner provided oversight and funding for the states to deliver the required programs, and the states were responsible for determining the conditions under which unemployment benefits would be paid.

For the last several years, however, the federal government has been increasingly obtrusive as to how to run the programs and less responsible when it comes to funding the system.

ISSUE

The issue is the need for responsible, adequate funding of the employment security system permitting the maximum capability to meet state and local needs for a public employment service, an unemployment insurance program, and a labor market information program.

EXPLANATION

Oregon can no longer afford the separation of the budget and program responsibilities. State government must be allowed to be responsive to the needs of employers and employees who want programs and strategies that will meet their problems. Those employers and employees ought to be able to expect their legislature and Governor to have the authority to address local issues and to balance administrative and trust fund impact decisions. Collection of the administrative tax by the Employment Division and allocation by the state budget process is much more likely to accomplish this.

In addition, the administrative tax can be collected more cheaply and more effectively when collected at the same time that the benefit tax is collected, saving employers paperwork.

Because of Oregon's comparatively small wage base, we would have collected less tax at the Equity Act minimum tax rate than what we received in administrative funding for FY 1985 and FY 1986 (approximately $5 million per year). Some 14 states would have been in the same position. Therefore, the Equity Act provides for "hold harmless" funding for those states. The amount involved is relatively small, system wide, particularly given the deletion of many wasteful processes such as the charge by I.R.S. to collect the F.U.T.A. tax.

We believe that the Equity Act will strengthen and restore the federal/state partnership. This is good government legislation which provides the resources and the flexibility needed to accomplish Oregon's Comeback Plan.□

CPI REVISIONS: INTO THE FOREST

Duane Ackerson

The Consumer Price Index (CPI) is a measure that can do more than merely slake the individual's curiosity about how big a bite the wolf has taken out of his door. It is also the foundation for non-liquid "COLA's" (cost of living adjustments) used in labor contracts, rental agreements, and other legal documents. These documents have as much to say about future consumption patterns as the CPI does about past ones.

The CPI will undergo major revision with the February 21 publication of the January 1987 CPI. This will, for the first time, see the replacement of the 1970 Census of Population with the 1980 Census in the geographic distribution of consumers. In addition to a number of technical changes, revised indexes will therefore reflect more recent population trends and spending patterns. The sample has been reallocated to provide the most accurate CPI at the national level; as a result, some local area samples are no longer reliable enough to permit publication with the same frequency as before. Despite these changes, the base year will remain 1967, and national CPI's will continue to be published on a monthly basis.

As a result of this reallocation, 12 of the 28 local areas will now be published on a semiannual average basis. One of these is the Portland-Vancouver, Oregon-Washington area, previously compiled bimonthly. Revised CPI data will be released for the first time on August 21, 1987 for the 12 areas that include Portland. Because of the revisions mentioned and the change in the frequency of both Portland indexes (CPI for All Urban Consumers and CPI for Wage Earners and Clerical Workers, generally abbreviated CPI-U and CPI-W), current users of the Portland CPI would do well in the future to use national CPI data for contract escalator purposes. National data, with its larger sample size, is less subject to error than any local index, itself a subset of the national index.

The November 1986 CPI-U for the Portland area, at 318.0, was only a shade (0.3%) above the year ago index of 317.1. However, anyone seeing the wolf receding into the distance should recall that a market basket of goods and services valued at $10.00 19 years ago would cost $31.80 in November of 1986. Red Riding Hood is not out of the forest yet.□

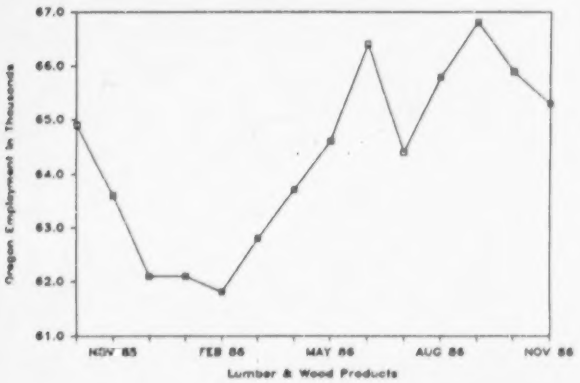
AVERAGE HOURS AND EARNINGS OF OREGON INDUSTRIAL PRODUCTION WORKERS 1/

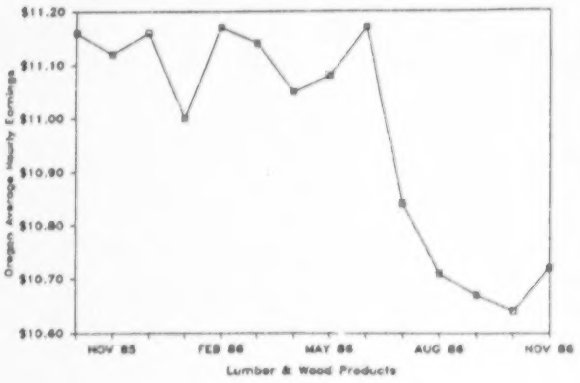
	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	Nov. 2/ 1986	Oct. 3/ 1986	Nov. 1985	Nov. 2/ 1986	Oct. 3/ 1986	Nov. 1985	Nov. 2/ 1986	Oct. 3/ 1986	Nov. 1985
TOTAL MANUFACTURING 4/	$415.01	$404.56	$403.87	39.3	38.9	38.5	$10.56	$10.40	$10.49
Durable Goods	423.86	417.52	418.94	40.1	39.5	39.3	10.57	10.57	10.66
Lumber & Wood Products	435.23	420.28	435.90	40.6	39.5	39.2	10.72	10.64	11.12
Logging & Sawmills	458.46	448.94	460.08	40.5	39.8	38.5	11.32	11.28	11.95
Veneer & Plywood	439.52	410.41	439.68	42.1	39.5	40.9	10.44	10.39	10.75
Millwork & Struct Wood	352.17	353.82	357.08	39.0	39.8	39.5	9.03	8.89	9.04
Mobile Homes	292.46	296.70	278.88	33.5	34.3	33.2	8.73	8.65	8.40
Other Wood Products	448.03	399.47	449.85	41.6	38.3	40.6	10.77	10.43	11.08
Furniture & Fixtures	325.97	320.90	339.42	40.9	41.3	40.6	7.97	7.77	8.36
Primary Metals	497.76	475.21	500.08	40.7	39.8	41.5	12.23	11.94	12.05
Fabricated Metals	369.95	378.30	376.11	38.1	39.0	38.3	9.71	9.70	9.82
Machinery	443.77	424.86	425.58	39.8	38.8	39.7	11.15	10.95	10.72
Nondurable Goods	389.98	374.50	365.00	37.0	37.6	36.5	10.54	9.96	10.00
Food & Kindred Products	315.58	296.75	291.71	35.3	36.5	34.4	8.94	8.13	8.48
Canning & Preserving	258.72	249.22	231.84	33.0	35.4	32.2	7.84	7.04	7.20
Other Food Products	407.03	404.04	397.82	39.1	39.0	38.4	10.41	10.36	10.36
Textile Mill Products	247.92	243.89	206.38	38.2	39.4	34.0	6.49	6.19	6.07
Apparel	211.12	209.60	211.10	36.4	36.2	37.9	5.80	5.79	5.57
Paper & Allied Products	615.38	616.31	589.28	40.7	40.6	40.5	15.12	15.18	14.55
Printing & Publishing	439.93	435.79	392.76	36.6	36.9	36.0	12.02	11.81	10.91
Construction 4/	462.30	506.31	458.67	34.5	37.7	33.9	13.40	13.43	13.53
Communications & Utilities 5/	525.71	505.06	510.88	41.2	39.8	41.4	12.76	12.69	12.34
Trade 5/	282.20	282.07	277.72	34.0	33.7	33.5	8.30	8.37	8.29
Wholesale Trade	388.03	382.23	383.35	37.6	37.4	37.4	10.32	10.22	10.25
Retail Trade	234.90	234.78	227.20	32.4	31.9	31.6	7.25	7.36	7.19
Banking & Insurance	322.34	301.52	290.21						
State & Local Government	348.37	352.23	340.54						

1/ Figures are average gross hours and earnings of full and part-time worked or paid for, including overtime and shift premium pay. Prepared in cooperation with the U.S. Department of Labor. All data are based on the 1972 Standard Industrial Classification (SIC) codes.
2/ Preliminary
3/ Revised
4/ Data for production workers only and exclude administrative, supervisory (above working foremen), technical, sales and office personnel.
5/ Data for nonsupervisory employes only, excluding proprietors and executive personnel. Data for retail trade excludes eating and drinking places.

HOURS & EARNINGS

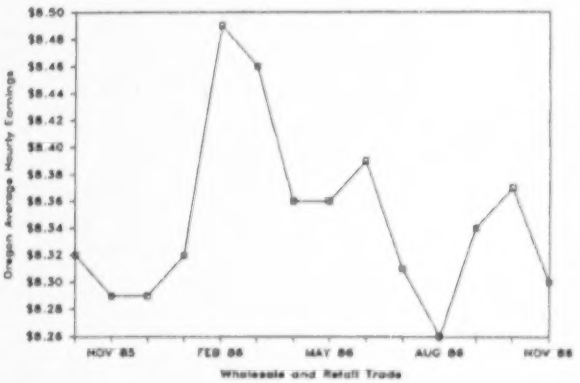
Jason Yohannan



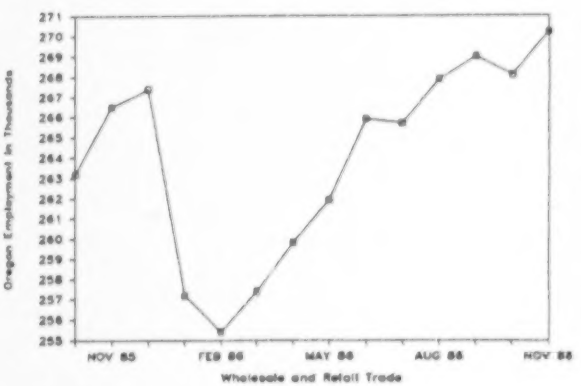


Hours & earnings statistics do not always move in the same direction as employment figures. While most folks would agree that increased employment in just about any industry is healthy for the economy, increased employment does not always lead to increased average earnings. Some notable 1986 examples follow, along with several illustrations.

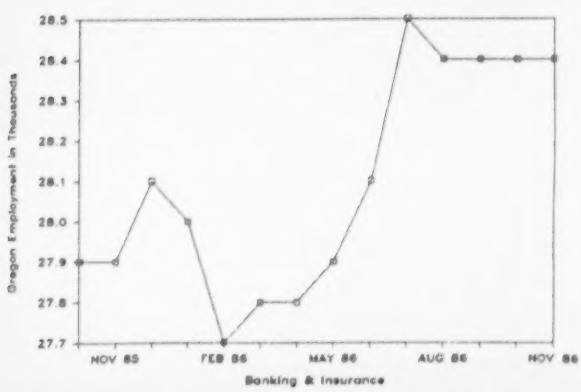
In lumber & wood products, 1986 employment levels show moderate improvement over 1985, blurred slightly by effects of several labor disputes and normal winter slowing. Indeed, the strong national housing market has led to high production throughout the industry. However, increased competition between geographic regions and among various forms of wood materials has forced the industry to produce more with less. As one result, workers have suffered pay cuts which show up vividly in the late 1986 months.

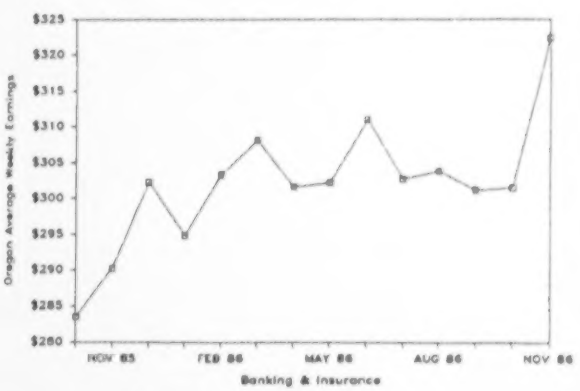


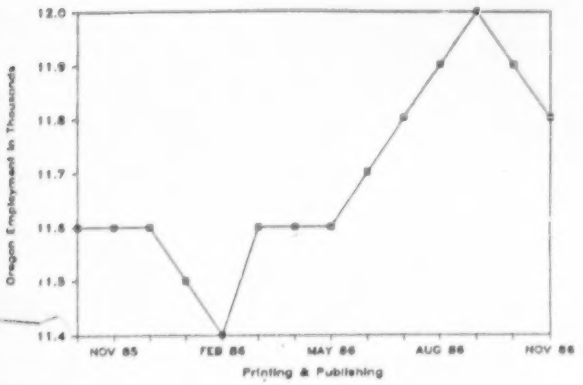
In wholesale and retail trade, employment shows steady expansion over the year after January's annual post-holiday dive. Hourly earnings, however, show no significant improvement. This average suggests that any pay increases possibly attained by established employees are being offset by more new workers who come in at the low end of the pay scale.



A brighter picture emerges in two of Oregon's other industries. In banking & insurance, both employment and weekly earnings show healthy gains in 1986 after a slow start and some weak years before that. Most firms have returned to profitability here.

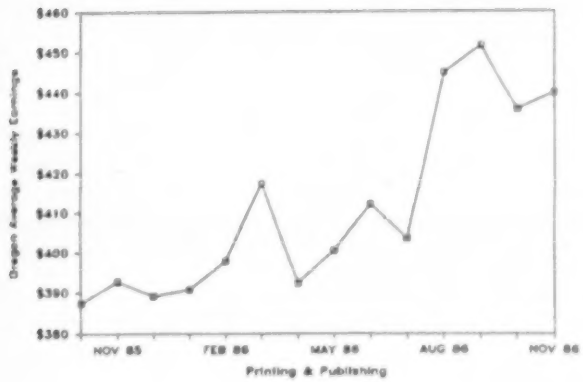






In printing & publishing, employment has nudged quietly upward, and weekly earnings show substantial progress in the summer and fall. A big reason for this improvement is likely the 1986 general election. Campaign spending was at an all-time high, and the printing & publishing industry was one of the prime beneficiaries of this spending. Business was brisk, and overtime hours were often used. As a result, pay went up. Although the push of an election year will not be around to help this industry in 1987, its outlook is mostly favorable.

A more complete review of the outlook for Oregon's industries can be found in a separate article within this issue of Oregon Labor Trends. □



AFFIRMATIVE ACTION UPDATES AVAILABLE

As of the middle of January, updates of 'Table 4' in the 'Data for Affirmative Action Programs' packet will be available. The updates cover the period July 1985 to June 1986. Table 4 summarizes the demographic and occupational characteristics of applicants of the Oregon State Employment Service. The occupational categories are compatible with 1980 Census categories, and a more detailed listing of 1980 Census occupational categories is included for reference. The updated tables are available for each of Oregon's four Metropolitan Statistical Areas and for each of the non-MSA counties. They may be ordered by writing:

Employment Division - R & S
Attn: Affirmative Action Data
875 Union St., N.E.
Salem, OR 97311
ph. (503) 378-8657

OREGON LABOR TRENDS

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Send comments, questions, and address changes ATTN: Jeff Hannum, R&S-LMI or Phone (503) 378-2736 or toll free 1-800-237-3710 ext. 8-8657.

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OREGON LABOR TRENDS

FEBRUARY 1987

JANUARY INDICATORS

UNEMPLOYMENT RATE

Oregon (Seas. Adj.)

Jan.	1987	7.3
Dec.	1986	7.8
Jan.	1986	8.8

U.S.

Jan.	1987	6.7
Dec.	1986	6.7
Jan.	1986	6.8

WAGE AND SALARY EMPLOYMENT INDEX

Oregon 1977=100

Jan.	1987	114.9
Dec.	1986	114.2
Nov.	1986	113.8
Oct.	1986	113.7
Sept.	1986	112.9

DIFFUSION INDEX

Oregon

Jan.	1987	57.8
Dec.	1986	53.5
Nov.	1986	48.5
Oct.	1986	50.4
Sept.	1986	51.6

PRODUCTION WORKER AVERAGE WEEKLY HOURS

Oregon

Dec.	1986	39.9
Nov.	1986	39.3
Dec.	1985	39.2

CONSUMER PRICE INDEX (CPI)

1967=100

ALL URBAN CONSUMERS

Portland MSA

Nov.	1986	318.0**
Yearly Change		+ 0.3%

U.S.

Jan.	1987	333.1%
Yearly Change		+ 1.4%

Portland Hotline 221-4132

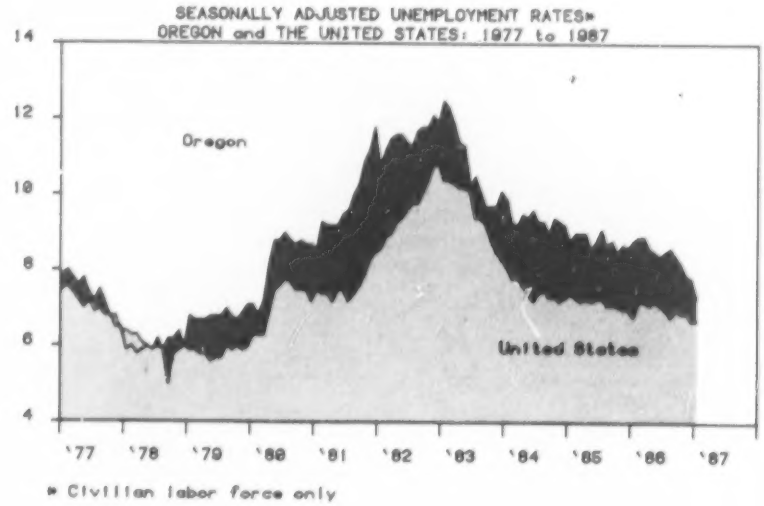
ON YOUR MARK . . . . . GET SET . . . . . GO!!

Jeff Hannum

With that, Oregon's economy was metaphorically off and running in January! Although 11 of the 12 laps in the "1987 America's Cup Marathon" still lie ahead, Oregon's economy was surprisingly fast out of the starting blocks.

In many respects, Oregon's economy is always in a competitive race.....with other states, other countries, and even with its own economic potential. With this in mind, Oregonians can feel good about the scoreboard so far this year. To begin with, the recent annual benchmark revisions revealed that nonfarm wage and salary employment gains in 1986 were stronger than originally thought (+2.6%, or 26,500 more jobs than in 1985). Similar annual revisions to the unemployment series showed a slightly larger drop in Oregon's annual average unemployment rate last year to 8.5% (114,000 persons) from 8.8% (116,000 persons) in 1985.

While the annual average jobless rate was affected very little by the benchmark process, the monthly trend during 1986 was revised significantly. As the graph below shows, Oregon's jobless rate improved steadily throughout the year, rather than displaying the roller coaster trend originally reported.



**The new semiannual Portland CPI indexes, covering the first half of 1987, will be issued on August 21, 1987. U.S. CPI data will continue to be released on a monthly basis.